

Statement of Congressman C.A. Dutch Ruppersberger  
Testimony on Gainsharing  
Before the Civil Service Subcommittee on Government  
Reform  
April 1, 2003

What is Gainsharing? Gainsharing is a group incentive program. Gainsharing rewards employees for making improvements that reduce costs without compromising quality and service objectives. The concept is based on teamwork, where participating employees improve performance and get to share in the savings. For example if savings are generated the group of employees receive half of the savings while the other half goes into the treasury.

Let me start by saying Gainsharing is a program that works. It saves money, but more importantly it boosts morale and it makes government service more responsive and cost effective.

But, programs like Gainsharing will only succeed if everyone who is affected by the process is brought to the table. For example, in Baltimore County we could not have done this without the cooperation of our employee's unions.

What we are talking about here today is using the Volcker Commission recommendations and changing the culture of government managers and workers.

### **Baltimore County Overview**

Baltimore County has approximately 761,148 citizens which makes the County more populous than four states and larger in land area than 2 states.

There are 19,000 employees and it has an operating budget of \$2 billion dollars.

Baltimore County is only one of two counties in the country that have no municipalities, which means the county provides all of the services.

Baltimore County has a “Strong Executive” rule. The County Executive has the power to establish the budget. The County Council approves the budget, but they can only cut the budget. The County council cannot increase the budget or move funds from one area to another, and the County’s budget must be balanced each year.

It is a challenging county with a diversity of incomes, a diversity of people, a diversity of education levels, and a diversity of geographic location which wraps around the city and is urban, suburban, and two-thirds rural.

Providing services to all these distinct and unique populations and areas was very challenging.

### **Evolution of Gainsharing**

When I took office, As Baltimore County Executive, in January 1995, county employees had not received pay raises in four of the previous five years. Layoffs in several departments had further damaged morale, while demand for services had increased.

By 1996, Baltimore County was experiencing a narrowing revenue stream and aging infrastructure. In the four years before 1996 the county work force had declined by 17 percent. There had been a job freeze, the first employee layoffs in the county history, there were two early retirement programs enacted, and there had only been one cost of living adjustments in the six years before. Needless to say County employee morale was very low.

While serving for nine years on the Baltimore County Council I had observed that the gradual decline in employee morale was affecting service quality.

As County Executive, I wanted quality and productivity improvements, I believe government is basically a service industry and we needed to be more responsive to our constituents.

The question was how do we make working for the County rewarding and exciting. How do we get our employees to be vested in their government and how do we make them want to perform for the benefit of everyone.

After researching the issue, I concluded that a Gainsharing program would meet all those criteria at no added cost to taxpayers. One of my first acts was to bring aboard a human resources consulting firm and a local consultant from the Regional Economic Studies Institute at Towson State University in Baltimore.

Development of the Gainsharing program began in November 1995, with a survey of employees across all departments to determine their readiness to participate.

While initially hesitant about this program, Union leaders believe that the Gainsharing program demonstrated that people in the field, the front-line employees, know their job best.

The process enabled Baltimore County workers to prove that they could deliver better service, at a lower cost, with virtually no complaints.

### **Gainsharing Program Overview**

Baltimore County's Gainsharing program brings together many old ideas in a new package. It uses Total

Quality Management principles and team building strategies to transform frontline workers. The team goal is to improve performance and save money by bringing the insights and experience of front line workers to bear on problems.

The program's emphasis on getting front-line employees to develop solutions empowers them to become shareholders in the government, much like in the private sector.

The bottom line is, Baltimore County's Gainsharing program generates costs savings and increases employee morale, while also improving the quality of service at the local government level.

### **Lessons Learned about Gainsharing**

We have to remember that this program worked because we brought everyone into the tent. We talked to and gained the support of our employees, we brought together both mid-level and top level management and facilitated cooperation between them and our front line employees, and we retained outside consultants to get their insight to work on these solutions.

The result was a highly motivated, effective and cost efficient work force that delivers quality service to our constituents.

### **Where Gainsharing is now**

Baltimore County's Gainsharing program won a National award from Harvard University and the Ford Foundation for innovations in Government.

Since the program has been implemented it has saved \$3.4 million dollars.

With the help of the Gainsharing program Baltimore County was only one of the twenty counties out of three thousand that were able to attain three triple-A bond ratings from the rating houses in New York. As a result *Governing* magazine rated Baltimore County as one of the top four managed counties in the country.

As a result of increased employee morale, increased government efficiency, and a well managed county, my Administration as Baltimore County executive was able to attract over 40,000 new jobs, which eclipsed the previous Administrations job creation of only 400 jobs.

I am pleased to say that the Gainsharing program has gone internationally. Last year, the State Department made inquiries into the success of Baltimore County's Gainsharing program. After their review of our successful program the State Department asked for

funding from Congress to implement Gainsharing. And most recently, U.S. workers have looked to implement a Gainsharing program abroad. Members of Baltimore County's Gainsharing program have traveled to Belgium to help train and implement U.S. workers in that country.

If we are looking to revitalize and change the culture of the federal government we have to make sure that our front line workers are vested in what is happening. We should encourage all federal employees and managers to find ways to improve performance.

Gainsharing is not just about employees gaining additional money for performance. It is about the employees becoming shareholders in the government. As a result we will have improved morale which leads to improved government performance.